

Message Text

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ACTION EUR-12

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TO SECSTATE WASH DC IMMEDIATE 5734

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: XCSS -- TRADE PLEDGE RENEWAL

1. BEGIN SUMMARY. SECGEN'S NOTE TO XCSS PROPOSES RENEWAL OF TRADE PLEDGE IN PRESENT FORM AND WORDING BUT FORESEES POSSIBILITY OF DEVELOPING "ELABORATION OR FLANKING ACTIONS" TO "IMPROVE AND FACILITATE IMPLEMENTATION OF DECLARATION." SECGEN SUGGESTS RENEWAL MIGHT TAKE PLACE BEFORE MINISTERIAL, WITH PUBLIC FLANKING ACTIONS DEVELOPED AT SECOND STAGE AND PUBLIC ANNOUNCEMENT OF RENEWAL AT MINISTERIAL. END SUMMARY.

2. FOLLOWING IS TEXT OF SECRETARIAT DOCUMENT (CE(75)2 FOR XCSS CONSIDERATION OF TRADE PLEDGE RENEWAL:

BEGIN TEXT

1. AT ITS LAST SPECIAL SESSION IN NOVEMBER 1974 THE EXECUTIVE COMMITTEE AGREED TO PUT ON ITS AGENDA FOR THE PRESENT SESSION THE QUESTION OF THE RENEWAL OF THE DECLARATION OF 30TH MAY, 1974.

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2. THE EXCHANGE OF VIEWS AT THE LAST SESSION SHOWED

THAT IT WAS GENERALLY RECOGNIZED THAT THE DECLARATION WAS A POLITICAL INSTRUMENT WHICH WAS PROVING USEFUL TO GOVERNMENTS IN THEIR PURSUIT OF LIBERAL POLICIES IN THE FIELD OF TRADE AND OTHER CURRENT ACCOUNT TRANSACTIONS. A GENERAL VIEW IN FAVOR OF MAINTAINING THIS INSTRUMENT IN FORCE ALSO EMERGED.

3. ANALYSIS OF THE SITUATION AS IT NOW STANDS AND OF THE WAY IT IS LIKELY TO DEVELOP CONFIRMS THE VIEW THAT THE MAINTENANCE OF STRENGTHENED COOPERATION IN THE FIELD OF TRADE AND OTHER CURRENT ACCOUNT TRANSACTIONS WILL BE NO LESS USEFUL NOW THAN IT WAS AT THE TIME WHEN THE DECLARATION WAS ADOPTED. THE PROBLEMS OF BALANCE-OF-PAYMENTS LINKED TO THE INCREASE IN ENERGY PRICES ARE NO LESS SERIOUS. AND--MOST IMPORTANT--THE SLACKENING OF ECONOMIC ACTIVITY HAS BECOME MORE PRONOUNCED, AND UNEMPLOYMENT PROBLEMS ARE NOW A MAJOR CONCERN IN MOST MEMBER COUNTRIES. MOREOVER, IN THIS OVERALL CONTEXT, SOME SECTORS APPEAR TO BE MORE DIRECTLY MENACED. THE WIDESPREAD NATURE OF THESE ECONOMIC DIFFICULTIES MAKES IT ALL THE MORE NECESSARY TO AVOID RECOURSE TO UNILATERAL MEASURES WHICH WOULD AGGRAVATE THE PROBLEMS OF OTHER COUNTRIES AND ULTIMATELY AFFECT THE ECONOMIC SITUATION AS A WHOLE.

4. DEVELOPMENTS HAVE TAKEN PLACE WITH REGARD TO COOPERATIVE ACTION ON A BROADER FRONT WHICH IS CALLED FOR IN THE INTRODUCTION OF THE DECLARATION. IN PARTICULAR, THE INTENTIONS EXPRESSED CONCERNING COOPERATION TO FACILITATE THE FINANCING OF DEFICITS AND TO CONSIDER APPROPRIATE ARRANGEMENTS IN THIS CONNECTION HAVE TAKEN CONCRETE FORM. RECYCLING FACILITIES HAVE BEEN ARRANGED IN THE IMF, AND NEGOTIATIONS FOR THE SETTING UP OF AN OECD FINANCIAL SUPPORT FUND ARE PRACTICALLY FINALIZED.

5. CERTAIN MORE SPECIFIC QUESTIONS HAVE BEEN RAISED AT THE LAST SPECIAL SESSION AS REGARDS THE SO-CALLED "GREY AREAS" OF THE DECLARATION, AND IN PARTICULAR THE SCOPE OF COMMITMENTS CONCERNING RESTRICTIONS ON IMPORTS OF PARTICULAR PRODUCTS. IT WOULD PROBABLY BE DIFFICULT, LIMITED OFFICIAL USE

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AND IN ANY CASE NOT ENTIRELY JUSTIFIABLE, TO RULE OUT ANY RECOURSE WHATSOEVER TO MEASURES OF THIS KIND. HOWEVER, IN A SITUATION IN WHICH THERE ARE GROUNDS FOR FEARING THAT THE STRUCTURAL OR SECTORAL DIFFICULTIES ALREADY EXPERIENCED MAY CONTINUE TO INCREASE, RECOURSE TO UNILATERAL MEASURES TO DEAL WITH THEM MIGHT WELL INCREASE THE DIFFICULTIES OF OTHER COUNTRIES IN THE SAME SECTORS, BECOME GENERAL AND COMPROMISE ADJUSTMENT

EFFORTS. MOREOVER' IF ADDED UP, MEASURES OF THIS TYPE
WOULD DEPRIVE THE DECLARATION OF MUCH OF ITS
SUBSTANCE.

6. DURING ITS MEETING ON 4TH AND 5TH MARCH, THE TRADE
COMMITTEE IS TO HAVE AN INFORMAL EXCHANGE OF VIEWS WHICH

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IN THE CONTEXT OF THE RENEWAL OF THE DECLARATION, WOULD
ALSO CONCERN SECTORAL PROBLEMS AND POSSIBILITIES OF
COOPERATION IN THIS RESPECT. THE EXECUTIVE COMMITTEE
WILL HAVE AT ITS DISPOSAL FOR ITS OWN DELIBERATIONS THE
RESULTS OF THE TRADE COMMITTEE'S DISCUSSIONS.

7. THE SECRETARY-GENERAL HAS REFLECTED UPON THE PROCE-
DURE WHICH MIGHT BE FOLLOWED FOR THE RENEWAL OF THE
DECLARATION AND HAS REACHED THE FOLLOWING CONCLUSIONS
WHICH HE SUBMITS TO THE COMMITTEE FOR CONSIDERATION:

(A) THE DECISION OF GOVERNMENTS TO RENEW THE
DECLARATION FOR ANOTHER PERIOD OF ONE YEAR

SHOULD NOT NECESSARILY COINCIDE WITH THE MEETING OF THE COUNCIL AT MINISTERIAL LEVEL BUT COULD UNDERLINE THE POLITICAL IMPORTANCE OF THIS DECISION BY PUBLICLY WELCOMING IT IN THE COMMUNIQUE ISSUED UPON THE CONCLUSION OF THE COUNCIL MEETING.

(B) IT WOULD SEEM APPROPRIATE TO RENEW THE LIMITED OFFICIAL USE

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DECLARATION IN ITS PRESENT FORM AND WORDING, IN ORDER NOT TO DELAY THE RENEWAL AND TO AVOID LENGTHY DISCUSSIONS WHICH MIGHT RAISE DOUBTS AS TO THE SCOPE OF THE DECLARATION AND TO THE CONTINUING POLITICAL DETERMINATION OF MEMBER GOVERNMENTS TO PURSUE ITS IMPLEMENTATION.

(C) ANY ELABORATION OR FLANKING ACTIONS WHICH MIGHT IMPROVE AND FACILITATE THE IMPLEMENTATION OF THE DECLARATION MIGHT BE WORKED OUT FOLLOWING THE DECISION TO RENEW THE DECLARATION.

END TEXT

3. IN DISCUSSION AT MARCH 4-5 MEETING OF TRADE COMMITTEE (REFERRED TO IN PARA 6 OF TEXT), ONLY UK INSISTED ON KEEPING OPEN POSSIBILITY OF CHANGING TEXT OF PLEDGE (TO EMPHASIZE RESPONSIBILITIES OF SURPLUS COUNTRIES TO TAKE APPROPRIATE MEASURES TO CORRECT IMBALANCES). OTHER DELS AGREED PLEDGE SHOULD BE RENEWED IN PRESENT FORM, WITH POSSIBILITY "COMMENTS" MIGHT BE ADDED TO EXPRESS CONCERN ABOUT SECTORAL AND OTHER QUESTIONS. SUMMARY STATEMENT OF TC DISCUSSION FOLLOWS BY SEPTTEL.
TURNER

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